

**MASTERCARD INTERNATIONAL- PERFORMANCE APPRAISAL**

Employee Name: Gary J. Flood

Department: Member Relations

Manager Name: Alan J. Heuer

Date: January 11, 1998

(Use Tab button to enter data onto form)

**Section I – Performance Feedback****1. Performance goals/objectives (to be completed by both employee and reviewing manager)**

Performance goals should be set at the start of the performance year, with an appropriate weight (total should be 100%) to indicate the priority and level of importance for each goal. These goals will be used as a benchmark against which performance will be measured. *Performance goals are required for every employee. In the event performance goals were not set, list the primary areas focused on during the course of the year.*

**Self-review:** At the time of the annual review the employee formally summarizes accomplishments associated with each performance goal.

**Manager Feedback:** At the time of the annual review, the manager will provide performance feedback to the employee on performance against goals set at the start of the performance year. A formal discussion will supplement this written feedback.

Performance Goals/Objectives	Weight (total 100%)	Manager Feedback
<b>I. Performance Goal and Measure: Grow Profitable Market Share in Key Markets with Key Members.</b>  <u>Measurement</u> 1. Increase MasterCard-branded gross dollar volume by a rate higher than industry average.  2. Grow Credit gross dollar volume 11% to \$273B, an increase of \$27B.  3. Grow Off-line Debit gross dollar volume 20% to \$20B an increase of \$3.3B.  4. Increase backcard credit volume share to 36.7% up 40 basis points.	45%	

P-0400

<p>5. Increase Off-line Debit purchase volume share to 24.9% up 2.5 ppts (excluding debit cash).</p> <p>6. Increase total bankcard share to 35.0% up 10 basis points (excluding debit cash).</p> <p>7. Secure mail share for standard, gold, platinum products at 41% overall.</p> <p>8. Achieve response rate superiority to Visa for total credit mail share for key members.</p> <p>9. Fifteen written Key Member agreements guaranteeing business consisting of seven (7) consumer credit, four (4) off-line debit, and four (4) commercial credit an increase of seven (7) over 1997. Work with GTO to get SLA's in place for 80% of the key members.</p> <p>10. Win majority of key new cobrand deals and conversion opportunities and retain existing business.</p> <p>11. Secure GSA business, attain World card objective and secure acquiring field goals.</p> <p><u>Self-Review:</u></p> <p>1. MasterCard growth equaled industry growth during first half of 1998 and is forecasted to be higher during second half of 1998.</p> <p>2. Credit volume growth forecasted 11.9% from \$248.4(B) to \$278.0(B) representing an increase of \$29.6B and 11.9%. 3Q YTD growth equaled 11.1%. Mail share gain, commercial product gains at key issuers (Citibank, BofA, GE, Bank One, Advanta) and account conversions (514M accounts) directly contributed to this increase.</p> <p>3. 3Q YTD off-line debit gross dollar purchase volume growth is 54.0%. With full year forecast at 50.0%. Dollar volume forecast is \$25.2B vs. a target of \$20.0B. Secured key conversion at Mercantile as well as implementation at Bank of New York and increased issuance at Wells Fargo. Aggressively pursuing Norwest, Summit, Merrill, Fleet conversions currently and retooling alliance approach.</p> <p>4. Increase bankcard credit volume share to 36.9% vs. 36.3%/36.5% year end 97. Second consecutive share gain following a 40 basis point increase in 1996. Primary drivers are mail share, account conversions and commercial products.</p>		
--	--	--

5. Increased off-line debit purchase volume share to a forecasted 24.5% vs. year end 97.
6. Total MasterCard volume share equaled 35.1% as of YTD 2Q98. Year end forecast to be at 35.2% vs. 1997 year end representing 20 basis point increase over 1997.
7. MasterCard mail share through 3Q98 running at 48% vs. 41% goal and 36.5% and 30.5% in 1996 and 1995 respectively. Key mail share gains executed at Citibank, BankOne, Fleet, Wachovia, GE, BofA (pre-merger), Partners First, FNBO, USAA. Maintained high percentage at MBNA, Household, AT&T.
8. Response rate superiority demonstrated with all key issuers. Mail monitor currently reports a 1.7% response rate for MasterCard vs. 1.0% for Visa. Recent response rate results with Visa supporters, Chase and Peoples confirm competitiveness of MasterCard and position for increased share in 1999.
9. Signed 16 strategic agreements resulting in brand commitments across our top issuers. Signed additional 40 program specific agreements in support of co-branding, new account acquisitions, off-line debit and commercial products. Key agreements reached with Visa strong holds positioning MasterCard for gains in 1999 (Providian, BofA). SLA's in place with 80% of Top 25 U.S. Members. Three additional SLA's planned by year-end will bring total agreement to 90% of Top U.S. Members.
10. Secured the following new cobrand deals in 1998 with key issuers:
  - Reno Air, Wells
  - Save the Children, FUSA
  - National Public Radio, FUSA
  - Animal House.com, MBNA
  - WCW Wrestling, CapOne
  - Bridgestone/Firestone, own Bank
  - Sony Electronics, Citibank
  - Excite, FUSA
  - Damark, CapOne
  - Sony/Loews, Citibank

- Hettel Media, Banco Popular
- American Heart Association, FUSA
- Rosie O'Donnell, CapOne
- News Corp, TBD

The aforementioned programs represent potential accounts and volume as follows:

	<u>Accts</u>	<u>GDV</u>
Year 1	893(M)	1,556M
Year 5	3,421(M)	6,173M

Additionally, successfully converted Bell South to MasterCard from Visa representing 475M accounts with \$623MM in annual volume and reworked our GM/Houshold Bank relationship protecting 24.0(B) in GDV and exclusive MasterCard program status by redefining our value proposition and being integrated in program management structure. Cobranding staff/member relations fully engaging in key relationships to ensure strong MasterCard positioning moving forward.

11. Secured \$3B (405,325 cards) projected annual GDV - representing approximately 26% of overall GSA business: Citibank \$1.44B (156,039 cards) NationsBank \$.90B (123, 246) First Chicago \$.54B (126,040 cards). Represents 48% of business awarded by GSA that was not retained by incumbent US Bank Visa, and a \$1.7B share shift from Visa. Provided technical/operational support to all GSA issuers and their processors, designed MasterCard operational solutions for unique GSA data needs. Designed training modules for desktop sales and implementation. Both Citibank and NationsBank stated that the awards to MasterCard were due to outstanding support.

Achieved SIPP targets by signing 34 vs. a target of 28. Signed 19 supermarkets to \$3/day programs based on a target list of 79 and signed 20 data level II targets meeting each objective.

In summary, key account focused and planning, consulting value, account conversions, key cobrand focus and commercial card wins impacted 1999. Consumer credit, commercial credit and debit progress.

<p>II. Performance Goal and Measure: Expand and Evolve MasterCard's Core Consulting Competency Through Staffing, Staff Development, Value Development and Delivery</p> <ol style="list-style-type: none"> <li>1. Strengthen team through more senior staffing.</li> <li>2. Position staff to be responsive to client business development needs.</li> <li>3. Increase focus on portfolio management</li> <li>4. Integrate and expand debit and commercial consulting disciplines.</li> <li>5. Establish a group to build out MasterCard rewards business.</li> </ol> <p><u>Self Review:</u> In 1998, the Member Relations field representatives have continued to transition to a business development driven resource. Key account teams have been strengthened at Citibank, BankOne, MBNA, BofA, Fleet, CapOne, First Union, Household, Providian, Wells/Norwest.</p> <p>Commercial products and debit products leadership and account skills have been dramatically enhanced at key members (commercial: Citibank, GE, BofA, MBNA; debit: Wells). Region leadership has transitioned with Jeanette and Tom moving to key account assignments and Bill Hernandez assuming the lead for BofA, Household, Wells, and Providian. Additionally, Anne assumed a leadership role on MBNA. Resources have been effectively redeployed with no key staff losses and marginal performers opting to move on given our transition. Additionally, nine (9) heads have been moved, from the field organization to consulting six (6), member planning two (2) and cobranding (1).</p> <p>In 1998, the Consulting group was taken to another level by building out key area and strengthening the quality of staff overall. Key accomplishments include:</p> <ol style="list-style-type: none"> <li>1. Hiring a more senior level employee to run Portfolio Management and two additional people to support the group</li> <li>2. Hiring a "team" to support debit, commercial and secured</li> <li>3. Building out the rewards service business by hiring a senior level lead, implementation staff and call center management</li> </ol>	25%	
--	-----	--

The quality of the group has been significantly strengthened in 1998 demonstrating MasterCard's commitment to working with members to ensure their profitability in exchange for share. The new staff members were able to hit the ground running and have worked in tandem with the field to address issuer needs across product lines. This staffing has enabled us to support during conversions, gain brand commitments in conjunction with using our rewards portfolios and differentiate ourselves for Visa in brand pitches.

In addition to establishing a solid team, the group has development initiatives underway to ensure further growth in 1999. Initiatives include: (1) fee-based services consulting (individual recently hired) (2) expanded support of information services (recruiting underway) (3) support of cross-sell (recruiting underway) and (4) expanded telemarketing support.

#### **ACQUISITION GROUP - CREDIT**

Continued to aggressively work with issuers to improve direct mail response rates, reduce members cost per account and ultimately gain mail share through consultations and creative testing. Over the past 18 - 24 months this group has been successful in expanding its focus to address all areas of acquisition (including Direct Response TV and Print) and heightened its focus on targeting (NPA ) and telemarketing.

This area is having a significant impact on moving share and has become an integral part of MasterCard's approach to influencing our key issuer activity. Currently, MasterCard is working with 19 of our top 20 members through consulting and creative testing. Of these 19 issuers, MasterCard has demonstrated response rate improvement in the vast majority of cases and had a significant influence on mail share for the brand.

#### **PORTFOLIO MANAGEMENT - CREDIT**

The portfolio management staff was strengthened significantly providing a valuable point of differentiation for MasterCard. The group established represents strong talent in the areas of credit card activation, usage, retention and targeting. And, as with acquisition support, is being leveraged to impact issuer profitability in exchange for share. To date, custom support has been provided to 20 of our key issuers, and the group has become an integral part of issuers planning processes. A key area of focus has been conversion, resulting in 514M accounts being converted from MasterCard to Visa in 1998 and potential of over 2MM conversions targeted in 1999.

In addition to providing consultative and creative assistance, the group has a strong strategic orientation and has developed functional expertise in the area of Best Practices Communications, quantitative and qualitative research, segmentation, profitability and attrition modeling. This knowledge is being shared with the field organization through education as well as our issuers provided to 20 of our key issuers through consultations and custom applications.

**ACQUISITION AND PORTFOLIO MANAGEMENT - DEBIT, COMMERCIAL, SECURED**

The consulting group assumed accountability for building a team to address A&PM for the debit, commercial and secured products. This team was staffed and hit the ground running delivering quantitative results in the secured and commercial areas, and establishing credibility in supporting our issuers tackle the debit market. Specific successes include secured share movement at Orchard Bank (0 - 80% with the potential of obtaining 700,000 MasterCard cards), and Capital One (40% to 80%) and Bank One (response rates lift of 55%) securing 25% of business mail moving forward. In commercial card, support has been provided across acquisition channels to Bank One, Nations, First USA, Advanta, Citibank, and USAA. Debit support has been provided in the preparation of conversion proposals (Wells, Firststar, Citigroup) as well as issuer support (BofNY, Wells, Key Corp and Chase).

**REWARDS**

The Rewards staff was enhanced significantly. With these resources, we were able to improve productivity in the call center, improve quality standards and reconfigure the Carlson relationship to assume full call center control. With this improved structure, MasterCard has brought operating costs to a break-even level and positioned MasterCard to assume significantly more volume.

The Rewards platform is being leveraged to obtain share across products and currently is supporting Credit, World, Corporate and small business offerings. The Rewards system played a supporting role in influencing the GM brand decision as well as the Wells/Norwest brand decision. It is viewed as a key point of differentiation from Visa. The platform/call center currently supports or has commitments from several issuers including Travelers, Household, Capital One, Citigroup (Citibank, GE, AT&T), Advanta and First Chicago.

In summary, we have evolved staff skill sets and assignments significantly to be more inline with our value proposition and business development discipline.

<p>III. Performance Goal and Measure: Execute Annual and On-going Planning Processes to Ensure Obtainment of Brand Objectives and Capitalize on Competitive Opportunities at the Industry and Issuer Level</p> <ul style="list-style-type: none"><li>• Establish clear objectives for each functional area</li><li>• Effectively engage appropriate functions in the member relations planning process</li><li>• Monitor the competitive marketplace and respond to risks and opportunities with aggressive and creative solutions</li><li>• Build member specific plans and monitor obtainment of issuer opportunities and objectives throughout the year</li><li>• Heighten focus on quantitative issuer solutions and shared objectives</li></ul> <p><u>Self- Review:</u> 1998 was an excellent year evolving internal and external planning processes to ensure maximum use of our resources. Specifically the following key initiatives were executed:</p> <p>In 1998, clear quantifiable objectives were established and adhered to by the consulting and cobranding group throughout the planning process. In addition, the Consulting group played an active role in evolving the plan process through cross-functional planning and more refined Member Relations planning. Issuer specific objectives and support were defined, resources prioritized and objectives achieved. The consulting group was able to gauge and adjust resources to capitalize on both industry and issuer changes. Examples include responsiveness to brand proposals developed based on portfolio acquisitions (Wells, Citigroup, GM), conversion proposals and support at the time of plastic reissuance and extensive resource commitments to support key issuer needs (GM new product launch, First USA promotional support). The consulting group focused on quantitative issuer solutions including shared objectives, demonstrated results and profitability impact. This approach to balancing our services will continue and be intensified in 1999. The cobranding group remained focused on new deals and conversion of existing Visa deals. As this group built through 1998 an assessment of key MasterCard programs was executed and integrated in the 1999 planning process.</p>	15%	
--	-----	--



<ul style="list-style-type: none"> <li>• We thoroughly executed a streamlined 1999 Member Planning process, including integration with U.S. Region overall planning process, identification of key opportunities and issues across all products and establishment of qualitative and quantitative objectives and action plans for 100 members/product lines focused on gaining share and valuing MasterCard support. Coordinated cross-functional plan review process to ensure agreement on objectives and obtain resource commitments for member plan support was executed, and we effectively managed Member Relations performance measurement through Business Update account reviews, monthly mail analyses, quarterly volume and share analysis and annual field incentive analysis. Managed the development and implementation of the Member Relations database information/reporting tools and develop/implement monthly reporting package. Specifically we:</li> <li>• Upgraded the Mail Acquisition Database</li> <li>• Implemented Member Relations monthly quantifiable reporting</li> <li>• Implemented a Business Update performance analysis to measure progress against objectives.</li> <li>• Designed and implemented improved Excel-based, Member Plan database to capture 1999 member plan information. Resulted in easier input by field and faster turnaround of analysis by Member Planning.</li> <li>• Worked closely with product groups to develop volume and account plans for 1999 – 2001 to support U.S. Region planning process.</li> <li>• Managed cross-functional member performance reviews at each of the 1998 Business Update Meetings to ensure communication of progress versus objectives and highlight issues regarding support needs.</li> <li>• Competitive analysis of Commercial Products in the US Region utilizing member plans and industry data to identify share growth opportunities</li> <li>• Key Debit Target analysis to measure opportunities for off-line debit issuance and status of sales efforts within each regional office.</li> <li>• Continual support and guidance to the field organization in targeting and measuring opportunities and strategies to increase volume and accounts.</li> </ul>		
---	--	--

<p>In summary, quantifiable plans built by member by product with cross functional buy-in and support identified and committed to increased share gain potential, member effectiveness, and organizational teamwork. We have come a long way in a short period of time.</p>		
<p><b>IV. Performance Goal and Measure:</b> Improve association performance – manage individual budget units, employee performance reviews, staff participation in TEAM, etc.</p> <ul style="list-style-type: none"> <li>• Effective execution of member incentive funding and decisioning</li> <li>• Establishment of clear quantifiable objectives for each employee</li> <li>• Execute effective recruiting, training and succession planning</li> <li>• Proficient budget, head count and variance management</li> <li>• Institution of streamlined processes increasing time allocated to business building initiatives</li> </ul> <p><u>Self- Review:</u></p> <ul style="list-style-type: none"> <li>• Set structure to manage Member Relations 1998 budget and provided timely and accurate forecasts as well as risk/opportunity analysis. Supported delivery of regional net pre-tax profit of 70MM through growth and share gain.</li> <li>• Implemented and managed 1998 field incentive bonus analysis. Process was streamlined and automated to ensure linkage with 1998 Forecast/1999 Plans, with paperwork from field minimized.</li> <li>• Managed Annual Incentive Compensation Plan (AICP) for all non-field employees, including coordination of objectives, performance results and summarizing management recommendations.</li> <li>• Managed all HR administrative functions including headcount analysis and reconciliation, performance appraisals, job requisitions, promotions, etc. to ensure accurate completion and timeliness.</li> <li>• Ensured that performance reviews were delivered on a timely basis with appropriate assessments.</li> <li>• Executed strong recruiting practice enhancing staff seniority and business building skill.</li> <li>• Effectively streamlined planning, reporting and business core processes maximizing member visitation/business building opportunities.</li> </ul>	15%	

<ul style="list-style-type: none"> <li>• Effectively structured the member incentive process including business case analysis of 100+ proposals, review and approval process, communication between field, product groups and finance, and performance measurement to ensure effective decisions are made regarding member investments.</li> <li>• Established monthly reporting mechanism to track status of outstanding proposal and member agreements, conversion opportunities and financial forecast to ensure that incentive commitments of \$90+mm were properly recognized.</li> <li>• Developed segmented analysis of incentive programs by category (member, product, etc.) and executive summary of top 20 member programs.</li> <li>• Initiated development of incentive fund database to allow for the capture, tracking and measurement of member incentive programs.</li> <li>• Transitioned nine staff, from field to consulting six (6), member planning two (2) and cobranding one (1).</li> <li>• Managed out seven marginal contributors.</li> <li>• Began restructuring of training program to be reflective of upgraded staffing.</li> <li>• Implemented centralized communication process for field organization inclusive of: <ul style="list-style-type: none"> <li>-- Enhanced presentation database</li> <li>-- Business updates</li> </ul> </li> </ul>		
--	--	--